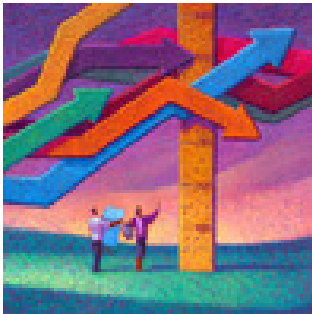


July 2007

DDRS HCBS Provider Reimbursement Rates: Provider Survey Findings

FIRST DRAFT

State of Indiana
Family Social Services Administration
Bureau of Developmental Disabilities Services



Introduction

As part of the Home and Community-Based Services (HCBS) reimbursement rate setting initiative, providers submitted financial expenditure data for nine (9) months of SFY 2007. The survey format included two worksheets. The first worksheet focused on the relationship of direct care staff compensation to program-related and general / administrative costs. The second worksheet collected expenses using an itemized chart of accounts. These surveys were prepared by provider agency financial management staff. While in some instances, clarification of data definitions and select reported expenses was provided, no attempt was initiated during the first draft analysis to verify the accuracy and consistency of the survey data. This analysis is limited to provider expenses related to residential habilitation and day habilitation which represented 94% of expenditures in SFY 2006. Data cleansing and verification will be conducted as the next steps in the rate setting process. As such, all findings in this report should be viewed as INITIAL DRAFT and subject to revision.

Sample Description

Provider cost surveys were received from **129** agencies as of July 30, 2007. Surveys received after that date will be included in the Second Draft. The distribution of survey responses by HCBS service is as follow:

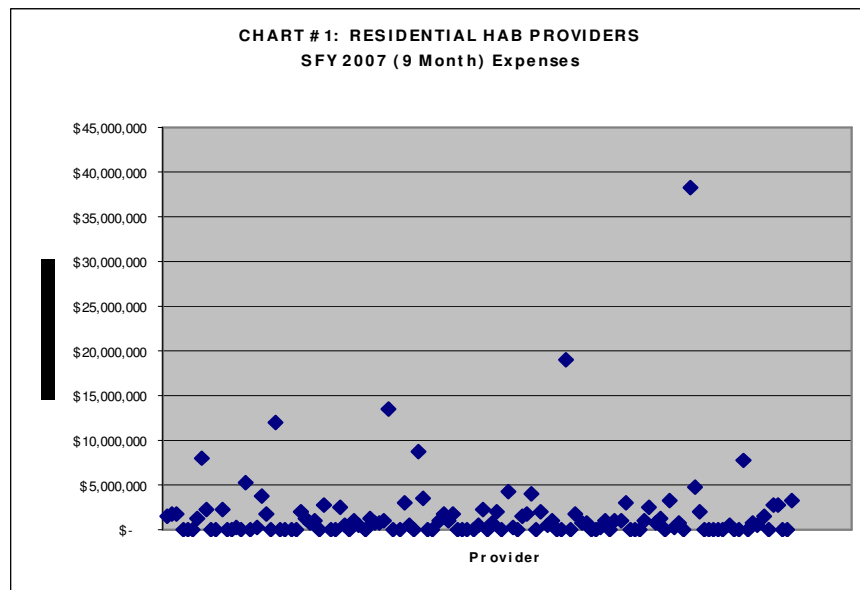
RESIDENTIAL HABILITATION (RES HAB)

Seventy-eight (**78**) agencies responded representing expenses of \$216,995,295 from July 2006 through March 2007. Using expenditures from SFY 2006 for comparison, this response rate represents approximately **95%** of HCBS Res Hab expenses. Descriptive statistics for Res Hab providers is described in Table #1.

Table #1: Res Hab Statistical Measures

Statistical Measure	
Mean Provider Expenditure (9 months)	\$ 2,917,517
Median Provider Expenditure (9 months)	\$ 1,517,307
Minimum Provider Expenditure (9 months)	\$ 8,664
Maximum Provider Expenditure (9 months)	\$ 38,205,783

Chart #1 illustrated the distribution of the Res Hab provider expenditure experience:



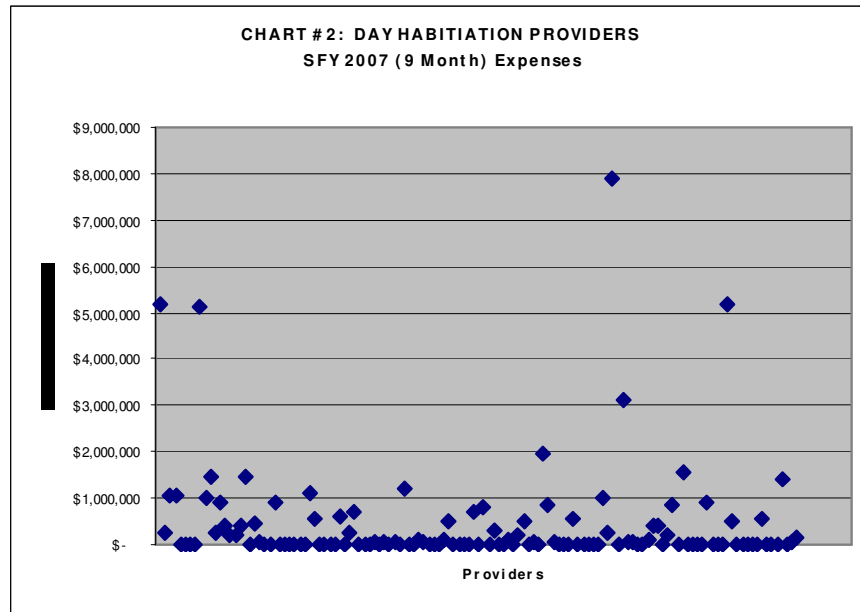
DAY HABILITATION (DAY HAB)

Seventy-two (72) agencies responded representing expenses of \$56,561,946 from July 2006 through March 2007. Using expenditures from SFY 2006 for comparison, this response rate was similar to Res Hab and represents approximately **95%** of HCBS Day Hab expenses. Descriptive statistics for Res Hab providers is described Table #2.

Table #2: Day Hab Statistical Measures

Statistical Measure	
Mean Provider Expenditure (9 months)	\$ 852,190
Median Provider Expenditure (9 months)	\$ 411,460
Minimum Provider Expenditure (9 months)	\$ 1,838
Maximum Provider Expenditure (9 months)	\$ 7,874,820

Chart #2 illustrated the distribution of the Day Hab provider expenditure experience:



BEHAVIOR MANAGEMENT (B-MAN)

Nineteen (19) agencies provided survey responses. No analysis of B-Man services was conducted for this draft. Indiana ABC is conducting a separate survey, and findings will be included in the second draft...

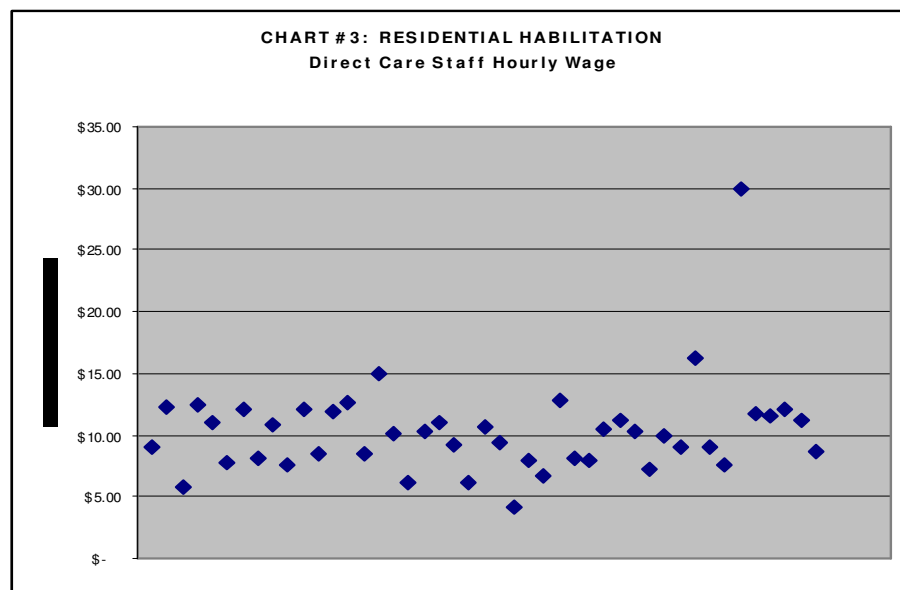
Residential Habilitation: Preliminary Findings

There are two sets of preliminary findings. The first finding focuses on hourly wages paid to direct care workers. For this analysis, workers were assumed to work 40 hours per week. Descriptive statistics are as presented in Table #3:

Table #3: Res Hab Hourly Wage Measures

Statistical Measure	
Average Direct Care Staff Hourly Wage	\$ 10.29
Median Direct Care Staff Hourly Wage	\$ 10.07
Minimum Direct Care Staff Hourly Wage	\$ 4.14
Maximum Direct Care Staff Hourly Wage	\$ 29.91

Chart #3 illustrated the distribution of direct care hourly wages for those agencies providing FTE data.



The second set of findings focuses on the relationship of direct care compensation costs to employee-related expenses (ERE), program-related and general & administrative costs. For this purpose, General & Administrative costs are limited to executive compensation only. Program-related costs are the most variable and include a wide range of expenses to include clinical compensation, building depreciation and utility costs, and retained earnings. Table #4 compares the percentage of total cost for select cost categories for all Res Hab providers.

Table #4: Percentage Distribution of Expenses by Cost Center

Cost Center	Wages	ERE	Program – Related	General & Administrative	TOTAL
Average	49.5%	20.3%	21.5%	8.7%	100%
Median	49.7%	20.1%	21.4%	8.3%	100%
Minimum	43.3%	8.9%	2.5%	0.1%	
Maximum	55.1%	33.4%	39.7%	24.0%	

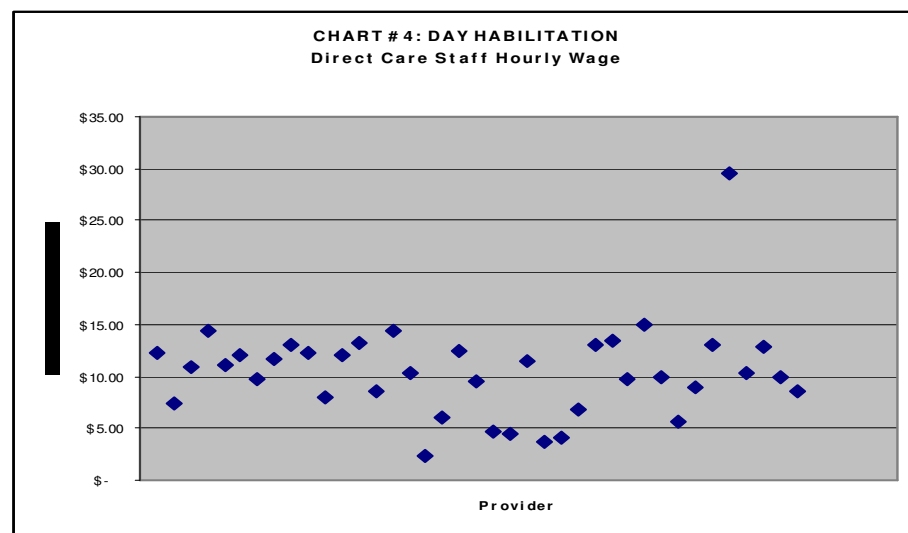
Day Habilitation: Preliminary Findings

There are two sets of preliminary findings. The first finding focuses on hourly wages paid to direct care workers. For this analysis, workers were assumed to work 40 hours per week. Descriptive statistics are as presented in Table #4:

Table #4: Day Hab Hourly Wage Measures

Statistical Measure	
Average Direct Care Staff Hourly Wage	\$ 10.43
Median Direct Care Staff Hourly Wage	\$ 10.39
Minimum Direct Care Staff Hourly Wage	\$ 2.26
Maximum Direct Care Staff Hourly Wage	\$ 29.60

Chart #4 illustrated the distribution of direct care hourly wages for those agencies providing FTE data.



The second set of findings focuses on the relationship of direct care compensation costs to employee-related expenses (ERE), program-related and general & administrative costs. For this purpose, General & Administrative costs are limited to executive compensation only. Program-related costs are the most variable and include a wide range of expenses to include clinical compensation, building depreciation and utility costs, and retained earnings. Table #5 compares the percentage of total cost for select cost categories for all Day Hab providers.

Table #5: Percentage Distribution of Expenses by Cost Center

Cost Center	Wages	ERE	Program – Related	General & Administrative	TOTAL
Average	26.1%	24.5%	38.0%	11.3%	100%
Median	24.4%	24.6%	37.5%	10.3%	100%
Minimum	4.6%	9.7%	8.8%	0.0%	
Maximum	50.2%	40.0%	83.9%	28.7%	

Reimbursement Rates: Recommendations for Shadowing

Based upon the preliminary findings, Davis Deshaies recommends that U.S. Bureau of Labor Statistics (BLS) wage benchmarks and the following rate assumptions be used for the August 2007 Rates Shadowing analysis:

1. Residential Habilitation (All Services):
 - Direct care hourly wage = \$10.27 (statewide BLS average)
 - Employee-related expenses = 40.2% (included paid time off factor)
 - Program-related expenses = 27%
 - General & administrative expenses = 12%
2. Day habilitation (Facility-based):
 - Direct care hourly wage = \$10.27 (statewide BLS average)
 - Employee-related expenses = 40.2% (included paid time off factor)
 - Program-related expenses = 40%
 - General & administrative expenses = 10%
3. Day habilitation (Non-facility based):
 - Direct care hourly wage = \$10.27 (statewide BLS average)
 - Employee-related expenses = 40.2% (included paid time off factor)
 - Program-related expenses = 28%
 - General & administrative expenses = 10%
4. Other Services
 - To be determined from behavior management provider surveys
 - Interim – use Medicaid state plan rates

Reimbursement recommendations are based upon unverified data from the Provider Cost Surveys, and have been applied to the District 4 shadowing tool for August. These reimbursement rate recommendations should be considered FIRST DRAFT and subject to revision pending further District 4 data analysis and verification.